

**STATE OF TENNESSEE ADMINISTRATIVE MANUAL
IRS FORM 1099 PREPARATION AND FILING INSTRUCTIONS**

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SECTION 1 – INTRODUCTION

- A. AUTHORITY:** The Internal Revenue Code
- B. Purpose:** To issue 1099 documents in accordance with regulations promulgated by the Internal Revenue Service to third parties in a timely and accurate manner.
- C. APPLICATIONS:** To all three branches of Tennessee State Government.

SECTION 2 - OVERVIEW

1099 reporting is the responsibility of the Division of Accounts in cooperation with the state agencies. Therefore, it is imperative that the vendor edit table reflect the current status of the vendor to assure accurate reporting of the 1099's. According to the Internal Revenue Service (IRS), 1099's are to be prepared and postmarked by January 31. Therefore, each state agency along with the Division of Accounts is required to accurately determine, in a timely manner, which vendor is due a 1099 and the amount which is to be reported to the Internal Revenue Service.

These instructions are designed to assist the state agencies in the preparation of IRS Forms 1099-MISC (Miscellaneous Income) and 1099-G (Certain Government Payments) at year-end.

SECTION 3 - THE 1099 PROCESS FOR PAYMENTS UNDER STARS

The key to 1099 reporting under STARS is the use of the vendor number in making payments to vendors. The vendor number in the vendor edit table is identified as to whether or not a vendor is reportable to the IRS on a 1099. The field on the vendor edit table called the IRS indicator field is used to determine which vendors are reportable for 1099 purposes. The valid values are: blank () - not reportable; and (1) - reportable.

The Internal Revenue Service (IRS) requires the reported name and (vendor) number (SSN or FEIN) on a Form 1099 to match the name and number per Social Security Administration records (social security card) or IRS records (document issuing FEIN). If Joe Smith has a sole proprietorship doing business as Joe's Rentals, the IRS requires the 1099 be issued in the personal name of Joe Smith, not the business name of Joe's Rentals. To assist in handling this type situation, the vendor edit table has an "IRS Name" field that when completed (following the submission of a Form W-9 by a vendor) is used for 1099 reporting purposes. When this field is not completed (because the vendor has not submitted a Form W-9) the name used on an issued 1099 is taken from the vendor edit table "Vendor Name" field.

The vendor edit table determines the address to which the 1099 will be sent by the "Parent Suffix" field. Use of the "Parent Suffix" field also has possible name implications. If there is no information in the "IRS Name" field and there is a "Parent Suffix", the name on the issued 1099 will be the name shown in the "Vendor Name" field of the "Parent Suffix". If

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there is no "Parent Suffix", then the 1099 is sent to the lowest number suffix to which reportable payments were made.

A. Vendor Edit Table

The vendor number that the State is to use in the vendor edit table is determined by the vendor's entity type. Listed below are the different types of entities, the Taxpayer (IRS) Name, and the Identification Number - Social Security Number (SSN) or Federal Employer Identification Number (FEIN) - to use.

<u>Entity</u>	<u>Taxpayer (IRS) Name</u>	<u>Identification Number</u>
1. Individual (not an actual business)	Individual	SSN
2. Joint account (two or more Individuals)	Owner or first individual	SSN
3. Custodian account of a minor	Minor	SSN
4. a. Revocable savings trust (grantor is also trustee)	Grantor	SSN
b. So-called trust account that is not a legal or valid trust under state law	Actual owner	SSN
5. Sole proprietorship <u>OR</u> single-owner LLC (Limited liability company) using SSN	Owner	SSN
6. Sole proprietorship <u>OR</u> single-owner LLC (Limited liability company) using FEIN	Owner	FEIN
7. A valid trust, estate, or pension trust	Legal entity	FEIN
8. Corporation <u>OR</u> LLC (Limited liability company) electing corporate status on IRS Form 8832	Corporation	FEIN
9. Association, club, religious, charitable, educational, or other non-profit organization	Organization	FEIN
10. Partnership <u>OR</u> multi-member LLC (Limited liability company)	Partnership	FEIN
11. A broker or registered nominee	Broker or nominee	FEIN

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<u>Entity (Continued)</u>	<u>Taxpayer (IRS) Name</u>	<u>Identification Number</u>
12. Account with the US Department of Agriculture in the name of a public entity that receives agricultural program payments	Public entity	FEIN
13. Government agencies and organizations that are tax-exempt under IRS guidelines	Organization	FEIN

B. W-2 VS. 1099

One of the first requirements before making payments to vendors is to examine your relationship with the vendor. If the vendor's work is "controlled" such that he may be considered to be an employee, then a W-2 should be issued and not a 1099. Of course, a W-2 requires withholding and FICA on each payment.

The courts have considered many facts in deciding whether a worker is an independent contractor or an employee. These relevant facts fall into three main categories that are defined below: behavioral control; financial control; and relationship of parties. In each case, it is very important to consider all the facts – no single fact provides the answer.

BEHAVIORAL CONTROL

These facts show whether there is a right to direct or control how the worker does the work. A worker is an employee when the business has the right to direct and control the worker. The business does not have to actually direct or control the way the work is done – as long as the employer has the right to direct and control the work. For example:

- **Instructions** – if a worker receives extensive instructions on how work is to be done, this suggests that they are an **employee**. Instructions can cover a wide range of topics, for example:
 - how, when, or where to do the work
 - what tools or equipment to use
 - what assistants to hire to help with the work
 - where to purchase supplies and services

If a worker receives less extensive instructions about what should be done, but not how it should be done, they may be an **independent contractor**. For instance, instructions about time and place may be less important than directions on how the work is performed.

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- **Training** – if the business provides a worker with training about required procedures and methods, this indicates that the business wants the work done in a certain way, and this suggests that they may be an **employee**.

FINANCIAL CONTROL

These facts show whether there is a right to direct or control the business part of the work. For example:

- **Significant Investment** – if a worker has a significant investment in their work, they may be an **independent contractor**. While there is no precise dollar test, the investment must have substance. However, a significant investment is not necessary to be an **independent contractor**.
- **Expenses** – if a worker is not reimbursed for some or all business expenses, then they may be an **independent contractor**, especially if their unreimbursed business expenses are high.
- **Opportunity for Profit or Loss** – if a worker can realize a profit or incur a loss, this suggests that they are in business for their self and that they may be an **independent contractor**.

RELATIONSHIP OF THE PARTIES

These are facts that illustrate how the business and the worker perceive their relationship. For example:

- **Employee Benefits** – if a worker receives benefits, such as insurance, pension, or paid leave, this is an indication that they may be an **employee**. If they do not receive benefits, however, they could be either an **employee** or an **independent contractor**.
- **Written Contracts** – a written contract may show what both a worker and the business intend. This may be very significant if it is difficult, if not impossible, to determine status based on other facts.

Before making an assumption that the vendor is an employee, please call the Division of Accounts for verification. In addition, once this determination has been made, guidance will be given by the Division of Accounts on how to report the FICA and withholding to the Division of Accounts so that payment can be made to the IRS and Social Security Administration.

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C. OBJECT CODE CRITERIA

The 1099 program analyzes the object code and transaction code used to make the payments, the IRS indicator field, and the type of entity to determine if a transaction should be reported to the IRS. The object codes that have been determined to be reportable and the category under which they are reportable are as follows:

<u>OBJECT CODES</u>	<u>ALLOTMENT CODES</u>	<u>CATEGORY</u>	<u>CATEGORY DESCRIPTION</u>
101-104, 109		1	Rents
122, 128		3	Other Income
084, 134-136		6	Medical and Health Care Payments
041, 042, 043, 045, 049, 053, 061, 062, 069, 071, 072, 073, 074, 076, 078, 079, 082, 083, 085, 086, 089, 114, 119, 138, 181, 182, 201, 202, 209, 892		7	Nonemployee Compensation
136	316.20	1	Rents
136	345.70 cc 003	1	Rents
129	309.02	3	Other Income
125	313.10 cc 10	6	Medical and Health Care Payments
136	313.03 cc 32 or 42	7	Nonemployee Compensation
134 or 136	345.49	7	Nonemployee Compensation
134	345.70	7	Nonemployee Compensation
136	345.70 cc 002, 004, 050, 057, or 500	7	Nonemployee Compensation
134 or 136	316.01 cc 88	G	Taxable Grant
134 or 136	316.25	G	Taxable Grant
134 or 136	325.XX	G	Taxable Grant
134 or 136	328.XX	G	Taxable Grant
All reportable object codes	345.49 cc 210, 316, CSMG, CSQIG, or QCEG	G	Taxable Grant
All reportable object codes	343.70 Vendor Prefix N	G	Taxable Grant
084	345.30 cc 204	N/A	Not Reportable
136	307.10	N/A	Not Reportable
136	345.16/17/30/35	N/A	Not Reportable
136	345.71 cc 13, 16, 23, 26, 33, 36, 43, 46, 53, 56, 63, 66, 73, 76, 83, 86	N/A	Not Reportable
892	801.00 or 807.00	N/A	Not Reportable
All reportable object codes	359.XX Agy Obj C10, C14, C16	N/A	Not Reportable

Categories 1, 3, 6, & 7 correspond to Boxes 1, 3, 6, & 7 (respectively) on the IRS Form 1099-MISC.
Category G corresponds to Box 6 on the IRS Form 1099-G.

D. YEAR-END 1099 REPORTS

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1099 reports are generated and distributed to agencies twice each calendar year.

The initial set of preliminary reports, generally covering January through October transactions are generated and distributed in early November. Their primary purpose is to ascertain whether or not the IRS indicator and parent suffix (if applicable) has been properly set in the STARS vendor file. **These reports are to be destroyed or shredded following use, not merely trashed.**

The final calendar year 1099 reports will be generated and distributed during the first week of January of the succeeding year.

The 1099 program analyzes the transaction and object codes, the IRS indicator, and the vendor business type tied to each transaction. Reference paragraph C above. The output of this process is the following reports:

(1) **"1099 Report for Verification and Approval" (AG05D710)** - This report includes those vendors that show as IRS reportable in the STARS Vendor File (IRS indicator = 1), and to whom payments have been made which meet all reportable criteria. The category under which the payments will be reported is listed. This information **will** be reported to the IRS unless the agency amends the IRS file with add, change, and/or delete records. Amounts less than \$600 should be on the report if they are reportable. After all agencies are consolidated, any vendors still under \$600 at that point will be deleted from the IRS file by the Division of Accounts. (a) In November, review this report to determine whether each vendor should be reportable and if the parent suffix is set correctly in STARS. If changes are needed to the IRS indicator and/or parent suffix, submit the information to Division of Accounts on diskette or via e-mail using the pre-formatted EXCEL spreadsheet. (Instructions follow in Exhibit 1.) (b) In January, review this report to determine if each vendor should be reportable and if the category and the payment amounts are correct. If corrections are needed, submit the information to Division of Accounts on diskette or via e-mail using the pre-formatted EXCEL spreadsheet. (Instructions follow in Exhibits 2 & 3.)

(2) **"1099 Possible Inclusion Report – Non-Reportable Vendors Meeting Object Criteria" (AG05D711)** - This report includes those vendors that do not show as IRS reportable in the STARS Vendor File (IRS indicator is blank), but to whom payments have been made which meet all other reportable criteria. (a) In November, review this report to determine whether each vendor should be IRS reportable and if so, whether the parent suffix is set correctly in STARS. If changes are needed to the IRS indicator and/or parent suffix, submit the information to Division of Accounts on diskette or via e-mail using the pre-formatted EXCEL spreadsheet. (Instructions follow in Exhibit 1.) (b) In January, review this report to determine if each vendor and the related payments need to be reported. If so, you will have to add the transactions to the IRS file by submitting the information to Division of Accounts on diskette or via e-mail using the pre-formatted EXCEL spreadsheet. (Instructions follow in Exhibits 2 & 3.)

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(3) **"1099 Possible Inclusion Report – Reportable Vendors Not Meeting Object Criteria" (AG05D712)** – This report includes those vendors that show as IRS reportable in the STARS Vendor File (IRS indicator = 1), but to whom payments have been made that do not meet reportable object code criteria. (a) This report **will not** be sent out in November. (b) In January, review this report to determine whether any of the transactions need to be reported on an IRS Form 1099. If so, you will have to add the transactions to the IRS file by submitting the information to Division of Accounts on diskette or via e-mail using the pre-formatted EXCEL spreadsheet. (Instructions follow in Exhibits 2 & 3.) This report should be used primarily in cases where an error was made in selecting the proper object code on the initial transaction.

(4) **"1099 Possible Inclusion Report – Vendors Meeting TC Criteria Not Found on VE Table" (AG05D713)** – This report needs to be reviewed both in November and January. The payments on this report meet reportable transaction code criteria but were made without a vendor number. Research them for reportability. (a) In November, you may begin your research. Come January, a taxpayer identification number will be required for these vendors if you decide they should be reported on an IRS Form 1099. (b) In January, review this report for transactions that have occurred since the November reports were issued. All transactions that are reportable should be added to the IRS file by submitting the information to Division of Accounts on diskette or via e-mail using the pre-formatted EXCEL spreadsheet. (Instructions follow in Exhibits 2 & 3.)

E. CORRECTING THE 1099 FILE

Exhibit 1 contains the instructions for preparing the **"IRS Indicator & Parent Suffix Update File"**. This file must be submitted to the Division of Accounts by early December.

Exhibits 2 and 3 contain the instructions for preparing the **"1099 Update File"** which includes add, change, and delete records for updating the IRS file of 1099 reportable payments. A 1099 can be corrected before it is ever issued by submitting this update information to the Division of Accounts by the middle of January. After that date any corrections require a new 1099 to be printed.

All "IRS Indicator and Parent Suffix Update Files" and all "1099 Update Files" must be submitted to the Division of Accounts on diskette OR via e-mail in the pre-formatted EXCEL spreadsheets unless your agency has special pre-approval.

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**FILE FORMAT FOR CHANGES TO IRS INDICATORS
AND PARENT SUFFIXES (November Changes)
EXHIBIT 1**

- A. Use the **pre-formatted EXCEL spreadsheet** titled “**IRS Indicator & Parent Suffix Update File**”. This spreadsheet will be e-mailed to each person who registers for one of the November 1099 training classes. If you do not receive a copy of the spreadsheet, contact Sherita Woods via e-mail at Sherita.Woods@state.tn.us or by phone at (615) 741-9756.
- B. Enter header information in **Column C** at top of spreadsheet, including the following: year, agency, date, filename, contact, and phone.
- C. The pre-formatted column headings and column widths are as follows:
- a. NUM – 4
 - b. VENDOR NUM & SUFFIX – 13
 - c. VENDOR NAME – 40
 - d. IRS IND – 3
 - e. PARENT SUFFIX – 7
- D. Font and size are Arial, 10. All columns are formatted as number – text; alignment – horizontal: left, vertical: bottom. **Single-space** all information **beginning on line 13**.
- E. Column A: NUM – Sequential record number.
- Column B: VENDOR NUM & SUFFIX – Include vendor prefix, SSN or EIN, and suffix. (Example: V123456789-00)
- Column C: VENDOR NAME – As shown in STARS vendor file. Enter in **all caps. Eliminate punctuation marks**.
- Column D: IRS IND – Enter “1” or “D”.
1 = Add – Vendor **IS** IRS reportable.
D = Delete – Vendor **IS NOT** IRS reportable.
- Column E: PARENT SUFFIX – If other than the lowest number suffix to which reportable payments were made, enter suffix of home office or corporate headquarters.
- F. All files of changes to IRS indicators and parent suffixes should be forwarded to Sherita Woods:
- Physical address: Department of Finance and Administration
Division of Accounts, Reporting Section
14th Floor, William R. Snodgrass Tennessee Tower
312 Eighth Avenue North
Nashville, TN 37243-0298
- E-mail Address: Sherita.Woods@state.tn.us
- G. Any questions regarding these procedures may be directed to Sherita Woods at (615) 741-9756.

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**FILE FORMAT FOR ADDS, CHANGES, & DELETES TO
1099 REPORTABLE PAYMENTS (January Changes)
EXHIBIT 2**

- A. Use the **pre-formatted EXCEL spreadsheet** titled “**1099 Update File**”. This spreadsheet will be e-mailed to each person who attends one of the November 1099 training classes. If you do not receive a copy of the spreadsheet, contact Sherita Woods via e-mail at Sherita.Woods@state.tn.us or by phone at (615) 741-9756.
- B. Enter header information in **Column C** at top of spreadsheet, including the following: year, administrative agency, date, filename, contact, and phone.
- C. The pre-formatted column headings and column widths are as follows:
- a. NUM – 4
 - b. TRANS TYPE – 4
 - c. UPDATE CODE – 6.5
 - d. ACCT CODE – 4
 - e. RPT CAT – 2.5
 - f. IRS/SS NUM – 6.5
 - g. NUM TYPE (I/S) – 3
 - h. VENDOR NAME – 18
 - i. ADDRESS 1 – 20
 - j. ADDRESS 2 – 20
 - k. ADDRESS 3 – 11
 - l. CITY – 10
 - m. ST – 2
 - n. ZIP – 6.5
 - o. AMOUNT – 9
- D. Font and size are Arial Narrow, 8. All columns **except for amount** are formatted as number – text; alignment – horizontal: left, vertical: bottom. The amount column is formatted as number – accounting, two decimal places, no \$ sign. **Single-space** all information **beginning on line 13**. Enter in **all caps**. **Eliminate punctuation marks**.
- E. All files of changes to 1099 reportable payments should be forwarded to Sherita Woods:
- Physical address: Department of Finance and Administration
Division of Accounts, Reporting Section
14th Floor, William R. Snodgrass Tennessee Tower
312 Eighth Avenue North
Nashville, TN 37243-0298
- E-mail Address: Sherita.Woods@state.tn.us
- F. Any questions regarding these procedures may be directed to Sherita Woods at (615) 741-9756.

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**REQUIRED INFORMATION FOR ADDS, CHANGES, & DELETES TO
1099 REPORTABLE PAYMENTS (January Changes)
EXHIBIT 3**

<u>COLUMN NUMBER</u>	<u>COLUMN HEADING</u>	<u>ADD RECORD</u>	<u>CHANGE RECORDS</u>		<u>DELETE RECORD</u>
			<u>ADDRESS ONLY</u>	<u>DOLLAR AMOUNT ONLY</u>	
A	NUM	I	I	I	I
B	TRANS TYPE	I	I	I	I
C	UPDATE CODE	N	I	I	I
D	ACCT CODE	I	I	I	I
E	RPT CAT	I	I	I	I
F	IRS/SS NUMBER	I	I	I	I
G	NUM TYPE (I/S)	I	N	N	N
H	VENDOR NAME	I	O	N	N
I	ADDRESS 1	I	I	N	N
J	ADDRESS 2	O	O	N	N
K	ADDRESS 3	O	O	N	N
L	CITY	I	I	N	N
M	ST	I	I	N	N
N	ZIP	I	I	N	N
O	AMOUNT	I	N	I	I

LEGEND: I – Required Input
 O – Optional
 N – Not Allowed

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**REQUIRED INFORMATION FOR ADDS, CHANGES, & DELETES TO
1099 REPORTABLE PAYMENTS (January Changes) (CONTINUED)
EXHIBIT 3**

ADD RECORDS:

Add records are used to add a vendor payment to the 1099 report, or used along with a delete record to change the category or an IRS number assigned a payment on the 1099 report.

Column A: NUM – Sequential record number.

Column B: TRANS TYPE – “A” for Add

Column C: UPDATE CODE – Not allowed.

Column D: ACCT CODE – Enter account code shown to right of vendor suffix in body of 1099 reports.

Column E: RPT CAT – Possible reportable categories:

- 1 – Rents (Box 1 on 1099-MISC)
- 3 – Other Income (Box 3 on 1099-MISC)
- 6 – Medical and Health Care Payments (Box 6 on 1099-MISC)
- 7 – Nonemployee Compensation (Box 7 on 1099-MISC)
- C – Gross Proceeds Paid to an Attorney (Box 14 on 1099-MISC)
- G – Taxable Grants (Box 6 on 1099-G)

Column F: IRS/SS NUMBER – Enter nine digit vendor number. **DO NOT INCLUDE VENDOR PREFIX OR VENDOR SUFFIX.**

Column G: NUM TYPE (I/S) – Possible number types:

- I – FEIN
- S – SSN

Column H: VENDOR NAME – Enter vendor name as shown in body of 1099 reports.

Column I: ADDRESS 1 – Enter address as shown in body of 1099 reports.

Column J: ADDRESS 2 – Optional.

Column K: ADDRESS 3 – Optional.

Column L: CITY – Enter city as shown in body of 1099 reports.

Column M: ST – Enter state as shown in body of 1099 reports.

Column N: ZIP – Enter zip code as shown in body of 1099 reports.

Column O: AMOUNT – Enter amount as positive since this is an increase in dollar amount.

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**REQUIRED INFORMATION FOR ADDS, CHANGES, & DELETES TO 1099
REPORTABLE PAYMENTS (January Changes) (CONTINUED)
EXHIBIT 3**

CHANGE RECORDS:

Change records are ONLY used to change an address or dollar amount. If both the address and dollar amount need to be changed, it can be done on the same line.

A change of reportable category or IRS/SS number is not coded as a change in the "1099 Update File". All transactions for the update code must be deleted and then added back under the correct reportable category or IRS/SS number. (This will require two separate lines in the "1099 Update File".)

Column A: NUM – Sequential record number.

Column B: TRANS TYPE – "C" for Change.

Column C: UPDATE CODE – Titled as such and appears immediately beneath the vendor's address line on the "1099 Report for Verification and Approval".

Column D: ACCT CODE – Use dept/div code shown to the left of current document number in body of report.

Column E: RPT CAT – Category appears beneath the vendor's address line and next to the update code on the "1099 Report for Verification and Approval".

Column F: IRS/SS NUMBER – Enter nine digit vendor number. **DO NOT INCLUDE VENDOR PREFIX OR VENDOR SUFFIX.**

Column G: NUM TYPE (I/S) – Not allowed.

Column H: VENDOR NAME – Optional for *address change*. Not allowed for *dollar amount only change*.

Column I: ADDRESS 1 – Enter correct address where 1099 should be sent for *address change*. Not allowed for *dollar amount only change*.

Column J: ADDRESS 2 – Optional for *address change*. Not allowed for *dollar amount only change*.

Column K: ADDRESS 3 – Optional for *address change*. Not allowed for *dollar amount only change*.

Column L: CITY – Enter correct city where 1099 should be sent for *address change*. Not allowed for *dollar amount only change*.

Column M: ST – Enter correct state where 1099 should be sent for *address change*. Not allowed for *dollar amount only change*.

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REQUIRED INFORMATION FOR ADDS, CHANGES, & DELETES TO 1099
REPORTABLE PAYMENTS (January Changes) (CONTINUED)
EXHIBIT 3

CHANGE RECORDS (Continued):

Column N: ZIP – Enter correct zip code where 1099 should be sent for *address change*. Not allowed for *dollar amount only change*.

Column O: AMOUNT – Enter amount for *dollar amount only change*. Enter amount as positive if the change is an increase in dollar amount. Enter amount as negative if the change is a decrease in dollar amount. Not allowed for *address only change*.

DELETE RECORDS:

A 1099 update entry is considered a “delete record” only if all information for the vendor update code should be removed from the 1099 report. Removing only one of several payments is considered a change of amount, not a delete record.

Column A: NUM – Sequential record number.

Column B: TRANS TYPE – “D” for Delete.

Column C: UPDATE CODE – Titled as such and appears immediately beneath the vendor’s address line on the “1099 Report for Verification and Approval”.

Column D: ACCT CODE – Use dept/div code shown to the left of current document number in body of report.

Column E: RPT CAT - Category appears beneath the vendor’s address line and next to the update code on the “1099 Report for Verification and Approval”.

Column F: IRS/SS NUMBER – Enter nine digit vendor number. **DO NOT INCLUDE VENDOR PREFIX OR VENDOR SUFFIX.**

Column G: NUM TYPE (I/S) – Not allowed.

Column H: VENDOR NAME – Not allowed.

Column I: ADDRESS 1 – Not allowed.

Column J: ADDRESS 2 – Not allowed.

Column K: ADDRESS 3 – Not allowed.

Column L: CITY – Not allowed.

Column M: ST – Not allowed.

Column N: ZIP – Not allowed.

Column O: AMOUNT – Enter amount as negative since this is a decrease in dollar amount.

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**LIST OF REPORTABLE PAYMENTS –
FORM TYPE & CATEGORY
EXHIBIT 4**

	<u>FORM TYPE</u>	<u>CATEGORY</u>
Unemployment Compensation	1099-G	1
Tax Refunds	1099-G	2
Debt Cancellation	1099-G	5
Taxable Grant	1099-G	6
Agricultural Payments		
Subsidies	1099-G	7
Payments for confiscated livestock or crops	1099-G	7
Medical Services		
Medical and Dental Services	1099-MISC	6
Hospitalization	1099-MISC	6
Medical Assistance Benefits	1099-MISC	6
All Payments to Medical Services Corporations	1099-MISC	6
Prizes and Awards (not compensation for services)		
Premiums	1099-MISC	3
Awards	1099-MISC	3
Prizes	1099-MISC	3
Honoraria	1099-MISC	3
Punitive Damages	1099-MISC	3
Beneficiary Payments for Annual/Comp time in the year following death	1099-Misc	3
Non-Employee Compensation		
Occasional Salaries and Wages (to non-employees)	1099-MISC	7
Professional Services Payments		
Advertising	1099-MISC	7
Appraisal	1099-MISC	7
Architectural	1099-MISC	7
Auditing	1099-MISC	7
Computer Programming	1099-MISC	7
Consulting	1099-MISC	7
Engineering	1099-MISC	7
Legal	1099-MISC	7
Program Administration	1099-MISC	7
Other	1099-MISC	7

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**LIST OF REPORTABLE PAYMENTS –
FORM TYPE & CATEGORY (CONTINUED)
EXHIBIT 4**

	<u>FORM TYPE</u>	<u>CATEGORY</u>
Maintenance and Repairs		
Building	1099-MISC	7
Computers	1099-MISC	7
Grounds	1099-MISC	7
Office Machines	1099-MISC	7
Vehicles	1099-MISC	7
Other Equipment	1099-MISC	7
Law Enforcement & Court Services		
Court Reporters	1099-MISC	7
Court Appointed Workers	1099-MISC	7
Expert Witnesses	1099-MISC	7
Prison Labor Allowance W-2 (not subject to FICA)	1099-MISC	7
Non-Employee Allowance	1099-MISC	7
Other Services		
Advertising	1099-MISC	7
Armored Car	1099-MISC	7
Cleaning	1099-MISC	7
Construction	1099-MISC	7
Key punch	1099-MISC	7
Janitorial	1099-MISC	7
Laundry	1099-MISC	7
Parcel & Delivery	1099-MISC	7
Printing	1099-MISC	7
Refuse Collection	1099-MISC	7
Security	1099-MISC	7
Expense Allowance (NOT itemized reimbursement)		
Non-Employee Travel Expense	1099-MISC	7
Per Diems	1099-MISC	7
Rent (Except paid to Real Estate Brokerages)		
Real Property	1099-MISC	1
Other Property (such as office equip)	1099-MISC	1

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COMMON 1099 QUESTIONS AND ANSWERS

1. Who should receive a 1099-MISC?

Basically, any individual, sole proprietorship, or partnership who provided a service and is not an employee.

2. Do corporations receive a 1099-MISC?

No, unless the corporation is providing medical services or legal services.

3. Are individuals who receive a grant issued a 1099-G?

A. If it is a federal grant it should state in the legislation if the grant is taxable.

B. If it is a state grant each payment will have to be researched.

4. Are reimbursements for travel reportable?

If the taxpayer accounts for his expenses on a one for one or per diem basis, they are not taxable.

5. Are day care centers reportable?

Yes, unless the day care center is a corporation or federally tax-exempt. See question # 10.

6. Are payments made for copies of medical records reportable?

No, but if they are included in the payments for services it is up to the department's discretion whether or not to separate these payments. Also, see question # 16.

7. Are scholarships and fellowship payments reportable on a 1099-MISC?

No, if these payments are reportable they are reported on a W-2.

8. Are medical travel payments reportable?

Yes, if they are in the business of public transportation or if they are reimbursed for more than one person during a single trip.

9. Are pharmacy payments reportable on a 1099-MISC?

No.

10. Are not-for-profit entities reportable?

Yes.

11. Are foster care payments reportable?

No, unless they keep more than 5 individuals over the age of 19 years.

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12. If the state is required by the court to pay a lawyer, is the state required to send the lawyer a 1099-MISC?

Yes.

13. Are veterinarian payments reportable on a 1099-MISC?

Yes, but it is not considered a medical payment. It would be reportable as non-employee compensation.

14. If you make medical payments for eyeglasses are they reportable?

No, although the examination fee is reportable. Also, see question # 16.

15. What type of rent is reportable on a 1099-MISC?

Amounts paid for all types of rents, for example leased space, machine rentals, or office equipment rentals, are reportable as rents.

16. Do we distinguish between taxable and nontaxable payments to a single entity for a single event?

These payments are being reported as a lump sum or they can be separated at the agency's discretion.

FOR EXAMPLE: An individual is paid for a presentation and for travel. A 1099 can be reported for all or just the amount representing the presentation.

FOR EXAMPLE: A mechanic replaces a starter. The 1099 can reflect the total cost of the repair or just the installation charge.

17. If a vendor payment is split for items such as garnishment or bankruptcy, who is the 1099 sent to and for what amount?

The 1099 is sent to the vendor for the entire amount.

18. Do departments have to issue a 1099 to their employees who serve on a jury?

No, although courts that pay individuals using the state's identification number (62-6001445) must submit the payment information for those individuals to the Division of Accounts so the Division of Accounts can issue a 1099 from the court.

19. Are membership dues to associations reportable?

No.

20. Are subscriptions reportable?

No.